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Management News

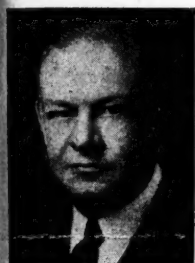
BUSINESS CONDITIONS & FORECASTS

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The President's Scratch-Pad

How Many Angels Can Dance on the Head of a Labor Lawyer?

IN THE Middle Ages learned men argued hotly over how many angels could dance on the point of a needle. But nowadays both scholars and business men alike argue questions hardly more practical and come up with answers that are no less mystical than those dogmatized by the monastic scholars.

A favorite item today is: When is collective bargaining not collective bargaining? This is a very durable conversation piece; it can be chewed and worried for hours and days on end without ever showing a toothmark.

EVEN CHIPPING HURTS

The principle involved may be illustrated as follows: If a union goes to an employer and demands his eye-teeth in the form of a concession in the labor agreement, should the employer explain to the labor representative why he cannot part with his eye-teeth, or should he refuse even to discuss the matter?

If he talks about the matter at all, he is considered to be "bargaining," and in bargaining you give something in trade—even if it's only a small amount of that something. But who wants to give away even one of his eye-teeth, or even little chips of his eye-teeth? Then, on the other hand, if he refuses to discuss his eye-teeth, he is breaking the law because he is refusing to bargain collectively.

TOOTHPICKS AND PSYCHIATRISTS

There you have the nub of the problem. Nobody has said that there are things that a union can't ask for. It's only been reaffirmed time and again that

when an employer refuses to talk, he is considered to be breaking the law.

In Oregon, woodworkers threatened to strike unless toothpicks were provided at the company mess table. Unionized fishermen in Alaska, finding their winters lonesome, demanded that the employer hire some women workers who would lighten the after-work hours. During the war shipyard workers made hostile gestures when the company was late in distributing the daily quota of vitamin pills. Another group of workers demanded the services of a company psychiatrist. More than one union has called for the dismissal of a company president; and it is common to hear demands for the discharge of foremen.

NOTHING IS 'UNREASONABLE'

Demands for annual wages, annuities, and extremely long vacations seem quite reasonable when compared with requests like these. Further, there's nothing in the Wagner Act that defines an "unreasonable" demand, and for the past several years employers, like a ship's crew in a hurricane, have been nailing down everything that could be called a "management prerogative."

Some managements point out that they are protected against such excessive demands by management clauses in their agreements. But what's to prevent a union from demanding that management clauses be withdrawn from renegotiated agreements? Some unions have already done just that; others have announced that they are going to do so.

But to get back to the angels on the

(Continued on page 4)

TRENDS IN BUSINESS

GENERAL OUTLOOK

Last fall, many observers were calling the turn toward the recession for this month, but so far nothing in the nature of a real set-back has occurred.

The only really ominous figure in the business statistics is that for retail sales. Dollar volume is still showing advances over last year, but the unit sales picture is not so good, especially in the soft goods lines.

Prices were still holding up in most lines, however, both retail and wholesale, and it seems likely that many businesses are going ahead with expansion plans.

Jobs also continue at high levels, despite some seasonal rise in unemployment. In the week ending February 1, total claims for unemployment rose 1 per cent, but initial claims dropped more than 4 per cent.

DISTRIBUTION

Dollar volume of retail sales continues to hold up, even surpassing 1946's high totals. But there are indications that unit volume is slipping, or is just on the verge of doing so.

In the week ending February 12, dollar volume ranged from 8 to 12 per cent above that of the corresponding week last year, but it has been estimated that price advances would account for even a 20 to 25 per cent rise.

The poor showing is attributed in part to extremely cold weather in many sections of the country, but in the case of spring and summer apparel, Dun & Bradstreet reports: "Shoppers were numerous but were looking rather than buying."

PRODUCTION

Steel ingot output reached a new high early in February, with operations at 93.7 per cent of capacity, or 1,639,700 tons a week.

(Continued on page 2)

Trends in Business

(Continued)

Automobile production also continued high, although it has not reached the average recorded for 1941. Lumber production was up and in the week ending February 1, was 25 per cent over the corresponding 1946 week.

MONEY AND CREDIT

Business borrowings from the banks have increased sharply in recent weeks, and *Business Week* interprets the rise as a reflection of plant expansion: "It looks as if some of those building plans that went on the shelf a while back have been coming off again," it reports.

Business failures in the week ending February 6 were only about two-thirds as numerous as in the preceding week, but were still well above the figure for the corresponding week of 1946. The total for the year to date is 280 as against 125 in 1946. Failures in manufacturing were twice as numerous as in any other trade or industry group.

Use of credit for home-buying and purchase of consumer goods increased by nearly \$6 billion in 1946, the Institute of Life Insurance reports. This brought the total of personal debts to \$39.6 billion, within \$1.1 billion of the 1929 peak.

EMPLOYMENT

Employment in 1946 showed the highest monthly average on record, and the lowest average unemployment for any peacetime year since 1928.

July was the best month, with a peak employment of 58,130,000, and a labor supply of 60,400,000. By December, employment had dropped to 56,310,000, and the labor supply to 58,430,000.

NATIONAL INCOME

National income during the first 11 months of 1946 was \$149,218,000,000, as compared with \$146,501,000,000 in the corresponding period of 1945.

The portion of the national income going to wages and salaries declined by \$5,777,000,000, but this decrease was more than offset by an increase in income from entrepreneurial, rents, royalties, dividends, interest and benefits.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

The Listening Post

Who Will Clean the Cuspidors?

• A great deal of the world's work is so disgusting that nobody ever mentions it. But we are reminded from time to time that the work has to be done when obscure and taken-for-granted people rise up and say it's too disgusting to them too. At 5 p.m. on February 3 cleaning women of the Building Service Employees International, AFL, stopped cleaning cuspidors throughout New York City.

Regarded by itself, this incident may not be considered important, but if it is considered in relation to other happenings of similar sort, a trend can be detected. For example, you nowadays hear housewives talk about "tidying up" before the maid arrives and building superintendents giving special bonuses to workers for doing particularly distasteful cleaning jobs. The matter assumes even greater significance when foundry workers strike because of odors which are inherent in foundry processes and which their fathers endured without complaint. Now it is the boast of many factory managers that their workers "don't go home dirty," and "clean, pleasant work" is the inevitable promise in want ads by restaurants, laundries and other institutions where there is the suggestion that some unpleasant chores might be involved. Mental institutions hunt frantically for attendants at good wages, and hospitals in recruiting nurses assure applicants that there are sufficient orderlies to perform tasks that nurses don't like to do. Just what enticements are utilized to attract orderlies are secrets that hospital superintendents don't share with anyone.

In the opinion of one business man, whose views are decidedly not typical, and who chose to remain discreetly anonymous, the cure for all this is "a little recession." (Life, 1/7/47.) This seems a drastic remedy for such a small problem; a more reasonable solution would be to get rid of the jobs or minimize their unpleasantest aspects. If not, then we should seriously explore Aldous Huxley's suggestion for developing an "Epsilon" race which is incapable of doing anything but the most menial work. Otherwise, the cuspidor must go.

Bargaining Preview • As a preview of what companies may expect as the next round of collective bargaining comes up, a firm in the Detroit area

writes that it has received the following first, or blue-sky, demands from the UAW:

1. Guaranteed annual wage.
2. Retirement after 25 years of service.
3. Life, sickness, and hospitalization insurance—without employee contributions.
4. Paid sick leave for hourly workers.
5. Shift premium of ten cents per hour.
6. Guarantee of six hours' work or pay for every call in.
7. Separation pay for all who quit or are discharged.

Insurance • The demand for insurance, particularly, is one which is likely to face a good many companies in entirely unrelated fields. On this point, a pertinent observation was made by A. N. Seefurth, of Seefurth and McGiveran, at the AMA Finance Conference.

"I do not think employers should adopt such plans, or broaden existing plans, with the idea of beating the unions to the gun," he said. "The existence of such a plan, rushed into being under the imminent threat of union demands, will hardly deter the union from forcing changes to suit its own conceptions. In some cases, bargaining will produce a better plan, and with immediate advantages to the employer. We are now setting up a plan for an employer, as the direct result of a trade whereby he is getting rid of a year-end bonus which had troublesome implications."

Bargaining, it must be remembered, is a process of quid pro quo. If the employer gives away all his quids before it starts, he can hardly expect to get any quos.

Salesmen's Pay • "How much should a salesman earn?" is a perennial question and one that has many answers. Perhaps the best yardstick, however, is the one stressed by J. B. Lathrop, President, Barrington Associates, at the Marketing Conference. "A salesman's income," Mr. Lathrop said, "cannot be much greater than or much less than the median income of the people he sells or he will be greatly handicapped in establishing the necessary personal relationship with his trade."

JAMES O. RICE

RESEARCH DEPARTMENT

Company-Owned Airplanes for Executive Travel

Use of company-owned planes to save executives' time and energy has been increasing as the benefits become better known. There is, however, little data available of a really comparable nature that can be useful to a company considering such a plan. In an attempt to obtain some information on costs, AMA queried a few firms known to be operating their own planes.

The great savings in time made possible by air travel are especially notable in the case of executives whose visits are made to the South or Middle West, where train connections often involve a great deal of wasted waiting time. For instance, one company whose executives are obliged to visit plants in rather inaccessible spots from a central Western city notes that the time by plane is 4½ hours on one trip, whereas with train connections and necessary stop-overs, it requires 36 hours. Such savings in time also make possible more frequent visits to plants, with good results in the technical and production fields. This makes it difficult to measure the advantage of plane facilities in mere dollars and cents.

ONE COMPANY'S COSTS

The company mentioned has a Twin Engine Beechcraft with two pilots and five-passenger capacity. The original cost was \$62,500. Over a 12-month period the cost of operation was nearly \$60,000. This included all expenses, such as gas and oil, hangar rent, landing fees, storage, repairs and maintenance, also pilots' expenses—hotel, meals, cab and auto expenses, and miscellaneous items—also salaries, depreciation, taxes, and insurance. The total plane mileage was 123,981 with a cost per mile of 46.77 cents. Passenger mileage was 253,312, with a mileage cost of 22.89 cents. In an average month the plane was in the air 67 hours.

Another example of a Beechcraft plane in such service is a D-18-S with five-passenger capacity costing approximately \$65,000. It is used primarily for transportation for company executives and occasionally by members of the engineering department in making aerial surveys of present or contemplated plants. The company states that such a plane, in the air a minimum of 225 hours a month, has an operation cost of \$45 to \$50 per hour.

Another case is that of a Lockheed 12 with two 450-horsepower Pratt & Whitney engines. This was purchased from the Surplus War Property Administration, and was completely over-hauled and converted to civilian use at a total cost approximating the purchase price of the two previously mentioned. The plane has dual control and is equipped with all the operating and safety devices of a regular commercial airliner. It carries a three-man crew and four passengers, together with a table and other accessories for working while aloft. In the first 12 months of operation, the plane flew 91,000 miles at a total of 534 air-hours, and carried about 600 passengers in 180 flights. The crew consists of a pilot and a co-pilot and a third man who keeps the plane and hangar neat and clean. Total expense per air-hour is around \$140. The company realizes that this is rather high but feels that it is worthwhile as it has enabled the executives, particularly the president, to make more frequent business trips, visit widely separated plants more often and, in general, carry out a busy schedule at a great saving of his time and energy. A typical week's schedule included two round trips from mid-Pennsylvania to New York, a round trip to Washington, and a trip to Memphis, and then one to Atlanta and Charlotte and return. The great saving in time over railroad travel is apparent.

ANOTHER CASE

Another company which uses a Beechcraft D-18-S is one in the building materials field. The plane is also a two-engine craft with pilot and co-pilot, and five-passenger capacity. It is completely fitted with the newest and best equipment available today, including all aids to safety, passenger comfort, and navigational equipment, and radio-telephone installation is contemplated.

The initial cost was approximately \$75,000. During the first 12 months of operation 531 passengers were carried, for a total of 153,090 miles, with flying time of 729 hours. The cost per plane-mile is 37.3 cents, and the actual cost per seat-mile is 7.4 cents. Gas and oil cost is estimated at \$10.55 per hour, and the total gross cost of plane operation per hour at \$74.

During the year there were only four

weather cancellations and two weather interruptions. There were no cancellations or interruptions due to mechanical failure or personnel. The men take great personal pride in the plane, and keep it in spick and span condition at all times. There were seven 100-hour check-ups made during the year.

Inquiries

Inquiries received by AMA show an increasing interest in bonus and profit-sharing plans for foremen and both direct and indirect workers, mostly on the part of firms which say productivity is still well below what they consider normal. Two companies report that they are installing plans similar to the Bundy Tubing Company plan, described by David W. Rust in *Personnel Series 103*. This system, which calls for a 50-50 sharing of cost-savings with employees, was working well for Bundy at the time Mr. Rust described it, but it had not been in effect for very long. It will be interesting to see whether other companies can use the idea to good advantage.

Many companies still report union opposition to incentives. "We have even gone so far as to set up time values for various maintenance, inspection, and gauge-making jobs," one company writes, "and the standards have turned out to be surprisingly accurate. But our union is understandably loathe to adopt these standards, and we are loathe to make an issue of the matter at this time when our labor relations are the best they have been in five or six years."

Another problem which keeps cropping up is space, since many companies are finding present quarters rather cramped. In contrast to this, one company writes: "It is our contention that good operators are much harder to find than space. For example, our button sewing machines for years have been spaced 48 inches apart. After analysis, with consideration of operators' suggestions, these machines were placed 60 inches apart. As a result, there has been an increase of 20 per cent in production in the department; and in other departments where the respacing has been completed, the increase has been from 8 to 25 per cent."

In the course of the day's work, AMA also receives a great many inquiries from student debaters who are working up briefs on current questions. The most popular subject this winter appears to be how much share the union should have in the management of the company.

ACTIVITIES of the AMA

More Than 150 Firms to Exhibit At AMA's Packaging Exposition

AMA's 16th Annual Packaging Exposition, to be held in Convention Hall, Philadelphia, April 8-11, will be the largest in the Association's history. It will occupy over 80,000 square feet, with more than 150 exhibitors displaying machinery, equipment, supplies, and services.

Trade attendance last year was in excess of 10,000, and is expected to be even larger this year.

A three-day Packaging Conference will be held in conjunction with the show, on April 8, 9, and 10, and will include two "packaging clinics," or panel sessions. The first, on the afternoon of April 8, will deal with design, production, product protection, merchandising, and materials. The second, the following afternoon, will be devoted to containers.

Other topics will include "How to Sell Packaging to Top Management," "A Program for Packaging Cost Reduction," "What's New in Packaging Machinery," "Developments in Pre-Packed Foods," "Techniques of Car Loading and Staying," "The Unit Load as a Measure of Economy," "Packaging for Export," and "Can Package Design Be Evaluated?"

Philadelphia has pledged ample hotel accommodations for the large number of executives expected to attend the Conference and Exposition. Those planning to attend should write directly to the hotel they prefer for accommodations, mentioning the Conference and Exposition. Hotels whose facilities are completely engaged will automatically refer such requests to a central bureau, and the hotel best qualified to accept the application will notify the prospective guest. Bus service is being arranged between the Exposition-Conference hall and principal Philadelphia hotels, and bus schedules will be posted in hotel lobbies.

E. A. Throckmorton, President, Container Testing Laboratories, and AMA Vice President for the Packaging Division, is in charge of the Conference, and Alan S. Cole, General Manager of *Modern Packaging*, New York City, heads the exhibitors' advisory committee.

The President's Scratch-Pad

(Continued from page 1)

point of the needle. If the employer doesn't consent to talk about these demands, he is refusing to bargain collectively; and if he does talk about them, then it may be inferred that he agrees with the principle that each specific demand involves and is only concerned over the amount that he will finally be forced to yield.

Meanwhile, sages in courts, government agencies and academic halls solemnly discuss this question, and come up with answers which common men rarely understand but usually respect.

MORE ANGELS

But a definition of bargaining is not the only area of labor relations where angels dance and learned men view them with metaphysical wisdom. The whole field of labor law seems filled with angels swaying on their needles.

Arbitrators, members of the NLRB, and the courts are continually being called upon to decide questions so involved that the mind can take them in only after two or three readings. For example:

Were insurance agents who went out on strike in an attempt to secure modification of a company rule which required them to report to their district offices each morning before beginning their outside work, and who subsequently offered to return to work, entitled to reinstatement under the NLRA, although the insurance company did not know they were on strike when it discharged them for failing to comply with the rule and report to work?

Did the employer engage in the unfair labor practice of interfering with the right of employees to self-organization by announcing that it was granting a wage increase with knowledge that an anti-union petition had been circulated among employees and without giving credit to the union for its organizing efforts and by telling employees that their job security would not be impaired by non-union membership, notwithstanding

Production Executives Choose Self-Criticism As Conference Keynote

The Production Division is taking "Let's Really Reconvert" as the theme for its Spring Conference, scheduled for April 24-25 at the Hotel New Yorker, New York City.

Production managers in the AMA have written to the Association requesting a program with a strong note of self-criticism. They point out that management reconversion has not taken place on any broad-scale basis, largely because companies have been too preoccupied with the exigencies of labor and procurement problems. More attention should be paid, they feel, to such things as continued high turnover and absenteeism, poor employee discipline, the absence of standards of performance for management itself, and low man-hour output. Several executives say that such functions as production, quality, and inventory control are more "talked about than exercised."

L. C. Hill, AMA Vice President for the Production Division, is in charge.

ing closed-shop provisions of the contract between employer and union?

There are also such inbred matters as whether the union must pay witnesses called in its behalf for the working time they lost while acting as witnesses in an arbitration proceeding in which four officials of the union were found guilty of serious contract violation.

These instances are by no means unusual; in fact, a thorough search would disclose that far more involved points have occasioned bitter battles, and entailed expenditure of time, money, and energy by segments of America's productive working force, in both management and labor.

All this obscurity, pettifoggery, and mysticism has done as much to break down collective bargaining as the most truculent unionism and the most intransigent employer attitudes. If and when the Wagner Act is repealed or rewritten, the new law of collective bargaining should be at least plain.

Alvin E. Dodd

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